

Auditor General's Office 2023 Work Plan

Date: January 27, 2023

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

The purpose of this report is to provide City Council with an overview of the work the Auditor General plans to conduct in 2023. Audit projects included in the Annual Work Plan are identified through a risk assessment process conducted periodically, a review of emerging issues, and a review of trends in allegations made to the Fraud and Waste Hotline. The Auditor General also considers the views and experience of City Councillors and City management. The Auditor General may amend the Annual Work Plan if new priorities arise.

The Work Plan is intended to be flexible, allowing the Auditor General to respond to Council requests and emerging issues, including the need to assign resources to high-risk investigations, when needed. The Work Plan is organized as follows:

- projects currently in progress or soon to be initiated (Table 1);
- projects on the horizon for 2024 (Table 2); and
- backlog list of projects that we would like to complete over the longer term (Attachment 3).

Where Council requests additional audits be added to the Work Plan, the Auditor General considers potential risks to the City before deciding whether it can be prioritized over another project on her Work Plan. Addressing Council requests for additional audits immediately is not always feasible given limited staff resources, so the Auditor General must prioritize the projects she can carry out in a given year versus those that need to be deferred into future years.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council receive the Auditor General's 2023 Work Plan for information.

FINANCIAL IMPACT

The recommendation in this report has no financial impact beyond the Auditor General's 2023 budget request.

The implementation of the Auditor General's recommendations results in savings to the City. Each year, the City realizes both quantifiable and non-quantifiable benefits from our audits and investigations. The 2022 Annual Report will be presented at the February 13, 2023 Audit Committee meeting. The Auditor General's 2021 Annual Report - Demonstrating the Value of the Auditor General's Office is available at:

<https://www.torontoauditor.ca/report/auditor-generals-2021-annual-report-demonstrating-the-value-of-the-auditor-generals-office/>

DECISION HISTORY

Under the *City of Toronto Act*¹, 2006, the role of City Council is to:

- represent the public and to consider the well-being and interests of the City;
- develop and **evaluate the policies and programs** of the City;
- determine which services the City provides;
- **ensure** that administrative and controllership **policies, practices and procedures are in place to implement the decisions** of council;
- **ensure the accountability and transparency of the operations** of the City, including the activities of the senior management of the City;
- **maintain the financial integrity** of the City; and
- carry out the duties of council under this or any other Act.

Under Section 178(1), the Auditor General is *“responsible for assisting city council in holding itself and its administrators accountable for the quality of stewardship over public funds and for the achievement of value for money in city operations.”*

The Auditor General assists City Council by providing independent assurance about the quality of stewardship over public funds and the achievement of value for money by City Administrators.

¹ <https://www.ontario.ca/laws/statute/06c11>

Chapter 3 subsection 3-3.4 of the Toronto Municipal Code² states that:

- "A. The Auditor General shall submit an annual audit plan to Council.*
- B. No deletions or amendments to the annual audit plan shall be made except by the Auditor General.*
- C. Despite Subsection B, Council may add to the annual audit plan by a two-thirds vote of all Council members."*

COMMENTS

Risk-Based Approach to Audit Selection

The development of the Auditor General's risk-based Audit Work Plan is informed by a City-wide risk and opportunities assessment. Significant areas of the City and its agencies and corporations are evaluated from an audit risk perspective using uniform criteria to identify areas that may warrant audit attention. Determining which areas to audit and the appropriate allocation of audit resources is essential to maximize the value of an effective audit process.

The Auditor General's Office City-wide risk and opportunities assessment considers the following 10 risk factors, which are consistent with the factors used by other Auditors General when prioritizing projects (refer to Attachment 1 for the risk definitions):

- Cybersecurity and Information and Technology Exposure
- Legal Exposure (including Environmental, Regulatory, Litigation)
- Susceptibility to Fraud, other Wrongdoing, or Waste
- Complexity and Significant Changes in Operations and Service Delivery
- Alignment of Strategic / Business / Service Planning
- Staffing Levels & Organization Competence
- Financial Exposure (Materiality and Impact)
- Contractual Exposure
- Adequacy of Policies, Procedures, Processes and Controls
- Public and Political Interest (including Adverse Publicity)

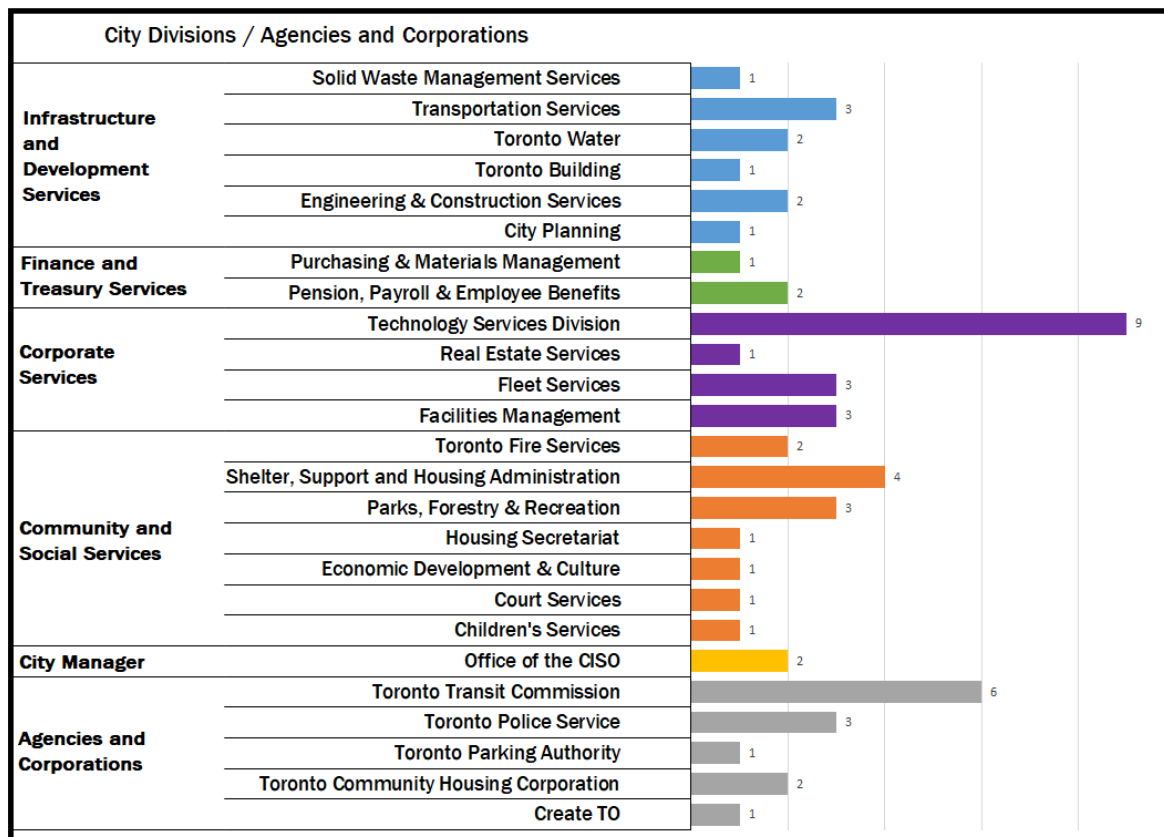
In addition to the periodic risk assessments, the Auditor General also considers emerging issues, trends in allegations made to the Fraud and Waste Hotline, as well as the views and experiences of City Councillors and City management when prioritizing audit projects.

² https://www.toronto.ca/legdocs/municode/1184_003.pdf

Past Audit, Investigation, Cybersecurity and Other Reports

Figure 1 provides an overview of past audit, investigation, cybersecurity, and other reports completed during 2018–2022. Attachment 2 lists the reports issued from 2018–2022.

Figure 1: Audit, Investigation, Cybersecurity, and Other Reports 2018-2022



Expanded Auditor General's Mandate

Audit projects identified from the risk assessment for the Toronto Police Service (TPS)³ and the Toronto Public Library (TPL)⁴ were adopted by each Board⁵ in the Fall of 2020 and included in the Auditor General's Annual Work Plan.

Over the past two years, the Auditor General issued three reports to the Toronto Police Services Board in the following areas: **Cybersecurity**, **9-1-1 Public Safety Answering Point Operations**, and **Opportunities to Support More Effective Responses to Calls for Service**. Since this work falls outside the normal powers and duties granted to the Auditor General under the *City of Toronto Act, 2006*, there were new challenges to

³ <https://tpsb.ca/jdownloads-categories?task=download.send&id=652&catid=57&m=0>

⁴ <https://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2020/nov16/04-minutes-oct-19-mtg.pdf>

⁵ Under the *City of Toronto Act, 2006*, Toronto Police and Toronto Library Boards are excluded from the Auditor General's mandate. City Council has given the Auditor General authority to perform audits at these entities if requested by the entities' governing body.

overcome. While the TPS was fully cooperative, time was required to work through the legislative and privacy issues in order to obtain access to the data required to perform these projects.

The resources and time required for these police projects, along with accommodating other high-priority requests, resulted in the deferral of projects at the Toronto Public Library as well as other audits across City divisions, agencies, and corporations that were on the Auditor General's 2022 Work Plan.

2023 Audit Work Plan

The projects in the 2023 Work Plan are organized as follows:

- projects currently in progress or soon to be initiated (Table 1);
- projects we would like to commence on the horizon for 2024 (Table 2); and
- backlog list of projects that we would like to complete over the longer term (Attachment 3).

A number of audits included in the 2023 Work Plan are broad-scope performance audits. These performance audits may be further divided into multiple phases or projects because of the nature and complexity of the operations. The scope of each audit phase will be developed after detailed planning for each project has started.

The Auditor General incorporates flexibility in the Work Plan in order to respond to emerging issues when needed, and this may result in a re-prioritization or deferral of some audits at times.

The Auditor General anticipates that the need for complex and in-depth forensic investigations will continue and expand. This will also require a significant commitment of resources, given the increasing complexity of complaints received by the Fraud and Waste Hotline. Currently, the Auditor General's Office has several active investigations underway and there are a number of other high-risk complaints that are waiting to be addressed. The Auditor General may need to continue assigning audit staff to investigations, which means that other audit projects on the Work Plan may have to be deferred.

Table 1: In-Progress Projects in 2022 and Upcoming Projects in 2023

No.	Project	Description	Project Status
City Divisions – In-Progress Projects and Projects to be Initiated in 2023			
1.	Toronto Building - Inspections	<p>The Auditor General’s 2022 Audit Plan contained a multi-phased operational review of activities and services delivered by the Toronto Building Division.</p> <p>The first phase of the operational review focused on Toronto Building’s operational policies and processes for inspecting construction and issuing orders to enforce compliance with the <i>Building Code Act</i>, Ontario Building Code and building permits. The audit results will be presented at the February 13, 2023 Audit Committee meeting.</p>	Reporting
2.	Toronto Building - Investigation	The Fraud and Waste Hotline received allegations of wrongdoing related to a builder constructing luxury homes.	In progress
3.	Housing Secretariat - Modular Housing	This audit focuses on the City's modular housing initiative, which is part of its HousingTO 2020-2030 Action Plan. As a first phase, the audit will review the procurement and delivery of modular housing units and whether they provide value for money.	In progress
4.	Transportation Services - Review of Winter Maintenance Contract Procurement and Management	This audit was initiated in response to a City Council request and will review the negotiated request for proposal process for winter maintenance services. The audit will also review the implementation of recommendations from previous Auditor General reports to monitor and enforce the new contract terms.	In progress

5.	Toronto Building - Plan Review & Customer Service	This audit is the second phase of the operational review of the Toronto Building Division and will focus on the Division's operational policies and processes for reviewing plans and issuing building permits. The audit may also assess the Division's financial processes and whether fees charged support full cost recovery.	Started
6.	Information Technology - Enterprise Work Management System	The Enterprise Work Management System is an IT capital project that is expected to modernize work management for various City Divisions. This audit may focus on system development and implementation, project management, software licencing and extent of use / extent the system in improving efficiency and effectiveness of divisional work management.	Started
7.	Operational Review of 911 Emergency Response Service - City Divisions	This audit will be an operational review of 911 emergency response services performed by Toronto Fire Services, Toronto Paramedic Services and other divisions, involved with 911 calls.	To commence in 2023
Agencies and Corporations – In-Progress Projects			
8.	Toronto Transit Commission (TTC) - Streetcars Operational Audit	This audit will assess the effectiveness and efficiency of TTC streetcar operations and services to identify service improvement and cost-saving opportunities.	In progress
9.	Toronto Transit Commission (TTC) Cybersecurity Review Phase Two - Overall Network Security and Cybersecurity Assessment of Select Critical Systems	In 2022, the Auditor General completed the first phase of an IT vulnerability assessment and penetration testing of the TTC's network and systems to assess cybersecurity risks, IT processes and controls.	Started

		This second phase will focus on an overall IT network security evaluation, plus an in-depth review of one specific critical operating technology system.	
10.	Toronto Hydro Cybersecurity Review	The nature of this work will include an IT vulnerability assessment and penetration testing of Toronto Hydro IT networks and systems to assess cybersecurity risks, IT processes and controls. This initial phase will focus on overall network security. Potential subsequent phases will be determined later and will be dependent upon available funding.	Started
Other Significant Areas of Work			
11.	Multiple investigations related to allegations of fraud or other wrongdoing	The Auditor General's Forensic Unit currently has several ongoing investigations of high-risk allegations of fraud or other wrongdoing. These allegations require a significant amount of resources to investigate.	Ongoing
12.	Follow-up of previous Auditor General Recommendations	As of December 30, 2022, there were 694 open recommendations, of which 376 recommendations were considered high priority. Management reported that 148 of these high priority recommendations were fully implemented, three were no longer applicable, and the remaining 225 recommendations were still in progress. The Auditor General will continue to verify the implementation status of high-priority recommendations and will update Council in future reports.	Ongoing

Table 2: Project Horizon for 2024

(These are additional projects that will be initiated in late 2023 or in 2024, contingent upon availability of audit resources and consideration of emerging risks)

No.	Project	Description
City Divisions		
1.	Housing Secretariat - Affordable and Supportive Rental Housing	This is a continuation of a series of audits along the housing continuum. This audit will assess the delivery of affordable rental and supportive opportunities. The audit may include an evaluation of the oversight, systems, and processes the City has put in place, and the outcomes achieved in providing affordable rental and supportive opportunities to residents.
2.	Parks, Forestry and Recreation - Parks Operational Review	This audit will examine how Parks, Forestry and Recreation maintains and manages more than 1,500 parks and 8,000 hectares of land including ravines, small neighbourhood parks and large destination parks like High Park and Toronto Island Park.
3.	Engineering Construction Services - Street Construction and Utility Work	This audit will examine construction and utility work management, collaboration, and cost-effectiveness of construction and utility work. This project may also examine construction on Wellington Street East, and how to improve timely and cost-effective delivery of future streetscape work.
4.	Toronto Water and Engineering & Construction Services - Basement Flooding Protection Program	This audit will assess the effectiveness and management of the City's Basement Flooding Protection Program in reducing flooding in the areas where projects have been completed. This audit may also address how the City plans and responds to these emergencies.
5.	Municipal Licensing and Standards and Revenue Services - Short Term Rentals and Municipal Accommodation Tax	This audit will review the City's policies and procedures to ensure operators register and collect and remit Municipal Accommodation Tax on all short-term rentals.

6.	Information Technology - Major Information Technology Projects	This audit will focus on the review of processes and controls to acquire, maintain and implement major Information Technology solutions, projects and systems. This audit may include multiple phases depending on the number and size of projects selected for review. Potential projects could include Pension, Payroll & Employee Benefits' attendance and scheduling management, and Financial Planning's Enterprise Performance Management System.
7.	Information Technology - Software Acquisition and Licence Utilization	This audit will focus on how the City acquires and manages its software licences, including Cloud subscriptions. The audit will also include an assessment of completeness and accuracy of software licence records maintained at the City.
8.	Transportation Services - Utility Cuts	This audit will review the utility cut permitting and the recovery of utility cut repair costs from third parties.
9.	Toronto Fire Services - Mechanical (Fleet) Maintenance	This audit will focus on the mechanical maintenance of Toronto Fire Services' fleet. The audit will assess the efficiency and effectiveness of TFS' fleet repair and maintenance program.
10.	Toronto Office of Partnerships - unsolicited proposals	This audit will focus on a review of the City's public procurement process for unsolicited proposals, including the procurement of PayIT.
11.	Purchasing and Materials Management - Audit of non-competitive contract supporting the City's Category Management and Strategic Sourcing strategy	This audit will review the value-for-money of the non-competitive contract(s) for consultants supporting the City's Category Management and Strategic Sourcing strategy and may include a review of how success fees are used and how outcomes for such contracts are measured.
Agencies and Corporations		
12.	Toronto Community Housing Corporation (TCHC) - Contract Management	The focus of this audit is to review TCHC's contract management processes and controls. This review may include contracts for preventative maintenance and repairs of fire and life safety equipment and HVAC systems.

13.	Toronto Police Service (TPS) - Operational Audit	The Toronto Police Services Board approved the Auditor General's risk-based audit plan on November 24, 2020 ⁶ . The Office will conduct one of the operational audits from this plan based on our assessment of risk and emerging issues.
14.	Toronto Public Library (TPL) - Cybersecurity Assessment	A request for the Auditor General to review TPL's cybersecurity was requested by the TPL Board at its October 19, 2020 meeting ⁷ . This project will include Information Technology vulnerability assessment and penetration testing of the TPL's existing networks and systems to assess cybersecurity risks, processes and controls.
15.	Toronto Transit Commission (TTC) - Workforce Planning and Management	TTC employs a workforce of more than 14,000 people to operate its network of subways, light-rail vehicles, streetcars, buses and Wheel-Trans services. The focus of this audit may include reviewing the hiring, training, scheduling and performance management of TTC's workforce, as well as the use of consultants.
Other Significant Areas of Work		
16.	New investigations related to allegations of fraud or other wrongdoing	Major investigations conducted by the Forensic Unit as needed (see below). There are a number of other high-risk complaints that have yet to be addressed.
17.	Follow-up of previous Auditor General Recommendations	The Auditor General will continue to verify the implementation status of high-priority recommendations and will update Council in future reports.

Investigative Work related to Complaints Received by the Fraud and Waste Hotline

According to the Canadian Anti-Fraud Centre, there have been 90,137 reports of fraud resulting in a loss of \$530 million in Canada as of December 31, 2022. Research by the Association of Certified Fraud Examiners has also shown that 51 per cent of organizations have discovered more fraud since the onset of the pandemic⁸.

⁶ <https://tpsb.ca/jdownloads-categories/send/57-2020/649-october-22>

⁷ <https://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2015/sep21/04-Minutes-June-22.pdf>

⁸ <https://www.acfe.com/covidreport.aspx>

The Fraud and Waste Hotline continues to receive a high volume of allegations. In 2022, the Hotline Program received 1,032 complaints, representing approximately 1,200 allegations, the highest in a year since the launch of the Hotline Program. This is approximately 26 per cent higher than the number received in 2021, 22 per cent higher than in 2020 and 76 per cent higher than in 2019. All complaints received are evaluated by the Forensic Unit to determine the disposition or action to be taken.

The Auditor General currently has several investigations underway. Conducting investigations into high-risk allegations can require a significant number of staff resources, time, and in some cases, costs associated with hiring external specialists. In recent years, because of the backlog of complaints and investigations, the Auditor General has supplemented the Forensic Unit with staff normally assigned to audits.

For 2023, there continues to be a growing number of high-risk complaints that need to be addressed and resolved. The Auditor General may therefore need to continue assigning audit staff to assist on investigations and the Hotline.

Conclusion

The 2023 Work Plan has been developed based on a balancing of audit priorities and available audit resources. The plan is to be flexible to allow the Auditor General to respond to emerging issues. The Auditor General would like to thank the Audit Committee and City Council for their continued support of this Office's Work Plan, and of the important accountability work we do. We look forward to helping Councillors, city managers and staff improve operations, mitigate risks, strengthen controls, and improve City services.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Risk Factors Criteria Used in City-wide Risk and Opportunity Assessment

Attachment 2: Reports Issued from 2018 to 2022

Attachment 3: Backlog of Audit Projects